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BEFORE THE ARIZONA CORPORATION COMMISSION

MIKE GLEASON  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
JEFF HATCH-MILLER  
Commissioner  
KRISTIN K. MAYES  
Commissioner  
GARY PIERCE  
Commissioner

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION  
OF THE ARIZONA PUBLIC SERVICE  
COMPANY FOR APPROVAL OF  
MODIFICATIONS AND FINAL  
APPROVAL OF ITS NON-RESIDENTIAL  
DEMAND-SIDE MANAGEMENT  
PROGRAMS

DOCKET NO. E-01345A-05-0477

DECISION NO. 70637

ORDER

Open Meeting  
December 3, 2008  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS" or the "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.

**INTRODUCTION**

2. On March 26, 2007, APS made two similar but separate filings ("13-month filing") to fulfill obligations arising from earlier Commission Decisions relating to the Company's portfolio of Non-Residential and Residential demand-side management ("DSM") programs and activities. The Company was required to provide the Commission with specific information reflecting 12 months of actual experience with its DSM programs and to make its filing(s) within 13 months of Decision No. 68488 issued on February 23, 2006.

3. The non-residential component of the DSM 13-month filing was made in this docket to provide the Commission with additional information about the Company's Non-

1 Residential DSM programs and to request final Commission approval for those programs as  
2 required by Decision No. 68488. In this filing, the Company also requested modifications to some  
3 of its Non-Residential DSM programs. This non-residential component of APS' 13-month filing is  
4 the subject of this item and is the final remaining component of the Company's 13-month filing  
5 requiring Commission action.

6 4. Earlier, the Commission acted on the other components of APS' 13-month filing.  
7 On August 28, 2007, the Commission rendered Decision No. 69879 in response to an APS  
8 application received on June 18, 2007, for expedited approval of certain time-sensitive initiatives  
9 contained in its 13-month filings. On December 4, 2007, the Commission rendered Decision No.  
10 70033 in response to the residential components of the Company's 13-month filing.

#### 11 **DISCUSSION**

12 5. Staff had recommended interim approval of the non-residential portion of APS'  
13 Portfolio Plan programs because of a lack of certainty and specificity in some areas of APS'  
14 Portfolio Plan application. In response to Staff discovery on many issues, APS indicated that it  
15 had provided all available detail to Staff. However, because the programs were new, there were  
16 still details that had not yet been established. APS' plan was to hire implementation contractors to  
17 establish remaining details regarding the Non-Residential DSM programs and to then have the  
18 same contractors implement the programs.

19 6. Staff believed that the benefits of moving forward with the Non-Residential  
20 programs at that time with a recommendation for interim approval outweighed the benefits of  
21 waiting until more information became available. In this manner, Staff believed actual savings  
22 from these programs would be realized earlier. In Decision No. 68488, February 23, 2006, the  
23 Commission ordered interim approval of the Non-Residential programs and further established  
24 APS' 13-month filing obligations to provide needed program details and to request final approval  
25 for the programs.

26 7. Staff believes the 13-month filing has provided an opportunity to make needed  
27 adjustments and changes to the Non-Residential programs based on actual experience with the  
28 programs. Staff's analysis of APS' Non-Residential DSM 13-month filing includes: 1)

1 determination of APS compliance with its 13-month filing requirements, 2) Non-Residential DSM  
2 program budget considerations, 3) Non-Residential DSM program changes and improvements  
3 based on actual experience with the programs, 4) evaluation of proposed new Non-Residential  
4 DSM program measures, 5) Societal Cost Test analysis of all existing and new Non-Residential  
5 DSM measures, 6) examination and evaluation of actual Non-Residential DSM program results  
6 including kW and kWh savings, and 7) recommendations for final approval or non-approval of  
7 APS' six Non-Residential DSM programs.

8 8. Staff has made 41 recommendations regarding APS' Non-Residential DSM  
9 programs.

#### 10 **STAFF RECOMMENDATIONS**

11 9. Staff has recommended that:

- 12 a) APS continue to track DSM applications resulting from studies for which incentives  
13 have been paid, and report the semi-annual and cumulative results of its program-to-  
14 date tracking efforts in its DSM Semi-Annual Progress Reports,
- 15 b) APS' proposal, that all Non-Residential Existing program applications received for  
16 approved DSM measures be paid an incentive with no annual budget ceiling enforced  
17 on spending for this program, be denied,
- 18 c) the existing 52 percent limitation on combined Rebates and Incentives as a  
19 percentage of overall Non-Residential DSM spending in all existing Non-Residential  
20 programs be removed beginning in the 2008 budget year,
- 21 d) the \$1,000,000 limitation on APS recovery of Administration and Planning expenses  
22 related to the Non-Residential DSM programs be removed,
- 23 e) Planning and Administration costs for any given Non-Residential program, such as  
24 NR New, not exceed 10 percent of the total program budget for the budgeting period,  
25 such as 2005 through 2007 or 2008 through 2010,
- 26 f) if building owners install DSM energy-efficiency measures that would qualify for  
27 APS incentives if made by the APS customer/tenant, the building owner be eligible to  
28 qualify for the incentive, and APS be authorized to pay such incentives to the  
building owner,
- g) the cap on incentive payments for all technical assistance study incentives be applied  
to all customers on a per-study basis; and that no per-customer, per-facility, or annual  
limit apply to these incentives other than the customer's overall annual program cap  
for the program through which the study is undertaken,

- h) the incentive maximum for a Retro-commissioning Study be increased from 50 percent of the cost of the study up to a maximum of \$10,000, to 50 percent of the cost of the study up to a maximum of \$20,000, and that the \$20,000 cap be applied on a per-study basis,
- i) APS be granted the authority to shift budgeted funds within a Commission-approved DSM program, without obtaining Commission approval, either between budget categories within a DSM program or between sub-programs, measures, or measure groups within a DSM program; unless such funding shifts would violate another budget-shifting parameter or limitation on budget flexibility ordered by the Commission,
- j) in cases where an integrated building energy simulation identifies energy savings opportunities from both custom-efficiency and prescriptive measures, the prescriptive measures be allowed to be combined into the custom-efficiency application, the combination be treated as a single custom-efficiency measure, and a custom-efficiency incentive be paid based upon the combined energy savings,
- k) the Non-Residential Energy Information Services annual incentive cap of \$1,000 per customer be removed and be reset to 75 percent of incremental cost up to a maximum of \$12,000 per customer per year; that NR EIS incentives be paid only on meters having a monthly billed demand over 100 kW in the past 12 months of billing history; and that only meter costs and one-time set-up charges be included in the incremental cost from which the incentive is calculated,
- l) the custom-efficiency incentive of \$0.11 per annual kWh saved be reduced to \$0.105 per annual kWh saved on July 1, 2009, and be further reduced to \$0.10 per annual kWh saved on January 1, 2011, such reduction to be applied in all APS DSM programs to which the custom-efficiency incentive applies,
- m) APS increase its efforts to work with other governmental and private entities involved with energy efficiency, and find ways to work collaboratively with them to evolve its DSM programs over time to complement their activities rather than to duplicate or compete with those activities, with goals to maximize energy efficiency while minimizing APS incentives to program participants and costs to all APS ratepayers that fund APS DSM programs,
- n) APS continually research and monitor other energy-efficiency rebates and incentives, including tax credits, that may be available to its Non-Residential DSM program participants throughout its service territory; and that the Company limit its incentive payments to program participants to ensure that the sum of all known monetary incentives, either paid or available to APS program participants from other entities for the same measure, be limited to APS' established measure cap, such as 50 percent or 75 percent of incremental cost, unless a different cap is ordered by the Commission,
- o) the Decision No. 68488 requirement that APS provide copies of all Non-Residential DSM program marketing materials for Staff review, within 30 days of the

development of each piece, be removed; and that a sample of such materials developed during each six-month period be included in APS' Semi-Annual DSM Progress Reports instead,

- p) within 90 days of a decision in this matter, APS submit a "Marketing Progress Report" to the Commission in Docket Control comparing its actual Non-Residential DSM program marketing activities and spending to the Marketing and Communications Plan submitted to Staff on May 25, 2006, in compliance with Decision No. 68488,
- q) APS 1) determine if it might be able to raise customer energy-efficiency awareness and further promote its Non-Residential DSM programs through the use of additional marketing efforts and activities, 2) review its Non-Residential programs to determine if there are areas where stepped-up marketing activities might either fully or partially displace the use of rebates and incentives to persuade customers to participate in its Non-Residential DSM programs, and 3) consider if changes and increases in its marketing or customer education activities might increase customer awareness of incentive programs or loans for energy-efficiency activities available from entities other than APS. The results of these three studies are to be submitted to the Commission as part of APS' Marketing Progress Report,
- r) APS provide a comprehensive description of its Program Marketing activity and the dispersion of that activity over the time period 2005 through 2007 and its relationship to Program Marketing expenditures 2005 through 2007, and include 1) a thorough explanation of the time period of marketing services rendered for each payment of Program Marketing expenses, 2) a thorough explanation of the extraordinary expenditures for Program Marketing during November and December of 2007, including what services were paid for, when such services were or will be received, and to whom payment was made, and 3) a thorough explanation of the extraordinary expenditures for Rebates and Incentives during November and December of 2007, and what incentives were paid, when such incentives were applied for, when they were installed, and other relevant details that might help Staff understand these payments. The requested data and explanations are to be submitted to the Commission as part of APS' Marketing Progress Report,
- s) in its DSM Semi-Annual Progress Reports, APS continue to report its MWh savings resulting from DSM measures installed during the reporting period in terms of "lifetime" MWh savings over the expected life of the measures; and additionally, that it report MWh savings for the six-month reporting period; and that it report both lifetime and reporting period MWh savings by program not only for the period, but year-to-date and DSM program-to-date,
- t) in its DSM Semi-Annual Progress Reports, APS add program spending by budget category, and peak load MW savings; both year-to-date and DSM program-to-date, to supplement the 6-month reporting period data that the Company is currently filing,
- u) in its DSM Semi-Annual Progress Reports, APS report environmental savings in terms of Sulphur Oxide (SOx), Nitrogen Oxides (NOx), Carbon Dioxide (CO2),

1 Particulate Matter (PM10), and Water (H2O); such savings to be reported both for  
2 measure lifetime savings from DSM measures installed during the reporting period  
3 and for savings during the six-month reporting period only; and that such savings be  
4 reported for the reporting period, year-to-date, and program-to-date,

5 v) if the Direct Install approach is adopted for either the NR Small or Schools program  
6 or both, the following measures be available to those programs: 1) T8 Lighting  
7 Retrofits, 2) Screw-in CFL Retrofits, 3) Hard-wired CFL Retrofits, 4) Exit Sign  
8 Retrofits, 5) Occupancy Sensors on Lighting, 6) De-Lamping, 7) Refrigerated Case  
9 Evaporator Fan Controls, 8) Refrigerated Novelty Case Controls, 9) Anti-Sweat  
10 Heater ("ASH") Controls, 10) Refrigerated Case Fan Motor Retrofits, 11) Occupancy  
11 Sensor Controls on Vending Machines,

12 w) if the Direct Install approach is adopted for either the NR Small or Schools program  
13 or both, the "Integrated Refrigerated Case Controls and Motor Retrofits" measure  
14 shall not be included in APS' Direct Install programs at this time,

15 x) the Direct Install approach be adopted for the NR Small program, and that those  
16 APS-proposed Direct Install measures passing Staff's most recent Societal Cost Test  
17 be included in the program; that the program be implemented using premise size  
18 rather than customer size as the basis for eligibility; that incentives for Direct Install  
19 measures may be paid directly to contractors; and that APS-paid incentives for Direct  
20 Install measures be capped at 90 percent of incremental cost and APS per-kWh-saved  
21 incentive rates for each Direct Install measure be re-calculated to conform to this  
22 restriction,

23 y) if the Direct Install approach is approved, APS establish a separate reporting category  
24 in the DSM Semi-Annual Progress Report within each program section to which  
25 Direct Install applies in which to include enhanced reporting of Direct Install  
26 activities including but not limited to: 1) active number of contractors and contractor  
27 identification, 2) number of Direct Install jobs completed, 3) dollar value of the  
28 Direct Install incentives paid to contractors, 4) dollar value of Direct Install jobs paid  
by the customer, 5) number of each Direct Install measure for which incentives were  
paid, 6) number of instances when incentives were reduced because of eligibility for  
incentives paid by other entities, 7) spending and savings numbers attributable to  
Direct Install for the period and year-to-date and program-to-date, 8) descriptions of  
the types of businesses participating in Direct Install with frequencies of participation  
for each type, and 9) an estimation of the reduced marketing or other program or  
administration costs compared to those that would have been expended if the  
measures were implemented through a non-Direct Install program,

z) the Custom-Efficiency measures and Studies available to some other APS Non-  
Residential programs be made available to the NR Small program; and that the  
\$150,000 per year annual program cap for the sum of all incentives paid to a single  
customer in the NR Small program remain at \$150,000 per customer per budget year;  
that Custom-Efficiency and Study incentives be included in that cap; and that the cap  
continue to be applied based on customer size,

- 1       aa) APS redefine its Small Non-Residential program category to include non-residential  
2       customer facilities with a maximum monthly peak demand of 100 kW or less based  
3       on the past 12 months of billing history, and that the Company correspondingly  
4       redefine its Non-Residential Existing category to include APS non-residential  
5       customer facilities with a maximum monthly peak demand greater than 100 kW  
6       based on the past 12 months of billing history,
- 7       bb) APS redefine its Non-Residential New program category to include non-residential  
8       customers of all sizes that are constructing new facilities or are planning major  
9       renovation projects, and that annual per-customer per-program budget caps break  
10      between 100 kW and below (\$150,000 per year cap) and above 100 kW (\$300,000  
11      per year cap),
- 12      cc) APS re-allocate its DSM program budget for the 2008 through 2010 planning years  
13      to be consistent with any re-definition(s) of the Small Non-Residential, Non-  
14      Residential Existing, and Non-Residential New program customer size categories that  
15      may be ordered herein or any other changes ordered herein; and that APS either  
16      inform Staff that no reallocation is necessary, or file an update to the budget portion  
17      of its "Portfolio Plan Update 2008 – 2010," filed in Docket No. E-01345A-07-0712,  
18      to reflect such re-definition(s) or other changes not later than 30 days after a Decision  
19      in this matter,
- 20      dd) if the Commission approves Direct Install for the Small Non-Residential DSM  
21      program, the Direct Install approach be made available also for schools of all sizes,  
22      and that those APS-proposed Direct Install measures passing Staff's Societal Cost  
23      Test be included in the program; that incentives for Direct Install measures may be  
24      paid directly to contractors; and that APS-paid incentives for Direct Install measures  
25      be capped at 90 percent of incremental cost, and APS per-kWh-saved incentive rates  
26      for these measures be re-calculated to conform to this restriction,
- 27      ee) seven of APS' nine proposed new prescriptive DSM measures identified as the 1)  
28      Hard-wired CFL measure, 2) Fluorescent Induction Lighting measure, 3) Cold  
Cathode Lighting measure, 4) Reduced Lighting Power Density measure, 5) Package  
Terminal Air-Conditioners/Heat Pumps measure, 6) Economizers measure, and 7)  
High-Performance Glazing measure, be adopted,
- ff) the Commission deny approval of the Water-Source Heat Pump measure that would  
provide incentives to encourage customers to replace or retrofit heat pumps on  
existing WSHP systems with high-efficiency water-source heat pumps,
- gg) no incentive be paid for the Cool Roofs measures for new or replacement roofs at this  
time, but that APS encourage its customers to install a highly-reflective coated foam  
or membrane roof and include relevant cool roof information in its DSM customer  
educational materials,
- hh) the Commission deny approval of the Cool Roof measure that would provide  
incentives to encourage customers to apply a highly reflective elastomeric or similar  
coating to various existing roofing materials,

- 1        ii)    APS' Non-Residential Schools DSM program be approved,
- 2        jj)    APS' Non-Residential Existing Facilities DSM program be approved,
- 3        kk)    APS' Non-Residential New Construction and Major Renovation DSM program be
- 4            approved,
- 5        ll)    if the Commission should choose to approve the overall basic concept of the Direct
- 6            Install component for inclusion in the NR Small program, APS' Small Non-
- 7            Residential DSM program be approved,
- 8        mm) if the Commission should choose to deny approval of the overall basic concept of the
- 9            Direct Install component for inclusion in the program, APS' NR Small program be
- 10           terminated immediately, and that budgeted NR Small funds be re-allocated to other
- 11           Non-Residential programs and budget categories that are believed by APS to be most
- 12           able to effectively use them,
- 13        nn)    the APS' Non-Residential Building Operator Training DSM program be denied
- 14           approval; that the program be terminated as an APS Non-Residential DSM program
- 15           immediately or as soon as contractual obligations allow; that the building operator
- 16           training class concept may be transferred to the NR Existing program at APS'
- 17           discretion; that APS provide an incentive of 50 percent of the cost of the class if BOT
- 18           is continued as a class offering within the NR Existing program; that budgeted NR
- 19           BOT funds be re-allocated to the Training and Technical Assistance budget category
- 20           of the NR Existing program if BOT is continued as a class offering within the NR
- 21           Existing program; or that budgeted NR BOT funds be re-allocated to other Non-
- 22           Residential programs and budget categories that are believed by APS to be most able
- 23           to effectively use them if APS chooses not to continue BOT within the NR Existing
- 24           program, and
- 25        oo)    APS' Non-Residential Energy Information Services DSM program be approved.

#### CONCLUSIONS OF LAW

- 21        1.        APS is certificated to provide electric service as a public service corporation in the
- 22           state of Arizona.
- 23        2.        The Commission has jurisdiction over APS and of the subject matter in this
- 24           Application.
- 25        3.        The Commission, having reviewed the application and Staff's Memorandum (with
- 26           attached Staff Report) dated November 12, 2008, concludes that it is in the public interest to
- 27           authorize certain changes and enhancements to APS' Non-Residential DSM programs and to grant
- 28           final approval to five of the Company's six Non-Residential DSM programs.



ORDER

IT IS THEREFORE ORDERED that:

1. APS shall continue to track DSM applications resulting from studies for which incentives have been paid, and shall report the semi-annual and cumulative results of its program-to-date tracking efforts in its DSM Semi-Annual Progress Reports,
2. APS' proposal, that all Non-Residential Existing program applications received for approved DSM measures be paid an incentive with no annual budget ceiling enforced on spending for this program, is hereby denied; however, APS may exceed any DSM program annual budget by up to 15 percent without prior Commission authorization. APS shall notify the Commission whenever any DSM program annual budget is exceeded and shall seek Commission approval prior to exceeding any Commission-authorized annual budget for any DSM program by more than 15 percent,
3. the existing 52 percent limitation on combined Rebates and Incentives as a percentage of overall Non-Residential DSM spending in all existing Non-Residential programs shall be removed beginning in the 2008 budget year,
4. the \$1,000,000 limitation on APS recovery of Administration and Planning expenses related to the Non-Residential DSM programs is hereby removed,
5. Planning and Administration costs for any given Non-Residential program, such as NR New, shall not exceed 10 percent of the total program budget for the budgeting period, such as 2005 through 2007 or 2008 through 2010,
6. if building owners install DSM energy-efficiency measures that would qualify for APS incentives if made by the APS customer/tenant, the building owner shall be eligible to qualify for the incentive, and APS shall be authorized to pay such incentives to the building owner,
7. the cap on incentive payments for all technical assistance study incentives shall be applied to all customers on a per-study basis; and no per-customer, per-facility, or annual limit shall apply to these incentives other than the customer's overall annual program cap for the program through which the study is undertaken,
8. the incentive maximum for a Retro-commissioning Study shall be 50 percent of the cost of the study up to a maximum of \$20,000, and the \$20,000 cap shall be applied on a per-study basis,
9. APS is hereby granted the authority to shift budgeted funds within a Commission-approved DSM program either between budget categories within a DSM program or between sub-programs, measures, or measure groups within a DSM program; unless such funding shifts would violate another budget-shifting parameter or limitation on budget flexibility ordered by the Commission,

10. in cases where an integrated building energy simulation identifies energy savings opportunities from both custom-efficiency and prescriptive measures, the prescriptive measures shall be allowed to be combined into the custom-efficiency application, the combination shall be treated as a single custom-efficiency measure, and a custom-efficiency incentive shall be paid based upon the combined energy savings,
11. the Non-Residential Energy Information Services annual incentive cap of \$1,000 per customer is hereby removed and is reset to 75 percent of incremental cost up to a maximum of \$12,000 per customer per year; that NR EIS incentives shall be paid only on meters having a monthly billed demand over 100 kW in the past 12 months of billing history; and that only meter costs and one-time set-up charges shall be included in the incremental cost from which the incentive is calculated,
12. APS, with the assistance of Arizona Corporation Commission Staff, and the DSM Collaborative, shall conduct an analysis of custom incentives and file a report with the Commission by April 1, 2009,
13. APS shall increase its efforts to work with other governmental and private entities involved with energy efficiency, and find ways to work collaboratively with them to evolve its DSM programs over time to complement their activities rather than to duplicate or compete with those activities, with goals to maximize energy efficiency while minimizing APS incentives to program participants and costs to all APS ratepayers that fund APS DSM programs,
14. APS shall continually research and monitor other energy-efficiency rebates and incentives, including tax credits, that may be available to its Non-Residential DSM program participants throughout its service territory; and that the Company shall limit its incentive payments to program participants to ensure that the sum of all known monetary incentives, either paid or available to APS program participants from other entities for the same measure, is limited to APS' established measure cap, such as 50 percent or 75 percent of incremental cost, unless a different cap is ordered by the Commission,
15. the Decision No. 68488 requirement that APS provide copies of all Non-Residential DSM program marketing materials for Staff review, within 30 days of the development of each piece, is hereby removed; and instead, a sample of such materials developed during each six-month period shall be included in APS' Semi-Annual DSM Progress Reports instead,
16. within 90 days of a decision in this matter, APS shall submit a "Marketing Progress Report" to the Commission in Docket Control comparing its actual Non-Residential DSM program marketing activities and spending to the Marketing and Communications Plan submitted to Staff on May 25, 2006, in compliance with Decision No. 68488,
17. APS shall 1) determine if it might be able to raise customer energy-efficiency awareness and further promote its Non-Residential DSM programs through the use

of additional marketing efforts and activities, 2) review its Non-Residential programs to determine if there are areas where stepped-up marketing activities might either fully or partially displace the use of rebates and incentives to persuade customers to participate in its Non-Residential DSM programs, and 3) consider if changes and increases in its marketing or customer education activities might increase customer awareness of incentive programs or loans for energy-efficiency activities available from entities other than APS. The results of these three studies shall be submitted to the Commission as part of APS' Marketing Progress Report,

18. APS shall provide a comprehensive description of its Program Marketing activity and the dispersion of that activity over the time period 2005 through 2007 and its relationship to Program Marketing expenditures 2005 through 2007, and include 1) a thorough explanation of the time period of marketing services rendered for each payment of Program Marketing expenses, 2) a thorough explanation of the extraordinary expenditures for Program Marketing during November and December of 2007, including what services were paid for, when such services were or will be received, and to whom payment was made, and 3) a thorough explanation of the extraordinary expenditures for Rebates and Incentives during November and December of 2007, and what incentives were paid, when such incentives were applied for, when they were installed, and other relevant details that might help Staff understand these payments. The requested data and explanations shall be submitted to the Commission as part of APS' Marketing Progress Report,

19. in its DSM Semi-Annual Progress Reports, APS shall continue to report its MWh savings resulting from DSM measures installed during the reporting period in terms of "lifetime" MWh savings over the expected life of the measures; and additionally, it shall report MWh savings for the six-month reporting period; and it shall report both lifetime and reporting period MWh savings by program not only for the period, but year-to-date and DSM program-to-date,

20. in its DSM Semi-Annual Progress Reports, APS shall add program spending by budget category, and peak load MW savings; both year-to-date and DSM program-to-date, to supplement the 6-month reporting period data that the Company is currently filing,

21. in its DSM Semi-Annual Progress Reports, APS shall report environmental savings in terms of Sulphur Oxide (SOx), Nitrogen Oxides (NOx), Carbon Dioxide (CO2), Particulate Matter (PM10), and Water (H2O); such savings shall be reported both for measure lifetime savings from DSM measures installed during the reporting period and for savings during the six-month reporting period only; and that such savings shall be reported for the reporting period, year-to-date, and program-to-date,

22. the following Direct Install measures shall be made available to the NR Small and Schools programs: 1) T8 Lighting Retrofits, 2) Screw-in CFL Retrofits, 3) Hard-wired CFL Retrofits, 4) Exit Sign Retrofits, 5) Occupancy Sensors on Lighting, 6) De-Lamping, 7) Refrigerated Case Evaporator Fan Controls, 8) Refrigerated

Novelty Case Controls, 9) Anti-Sweat Heater ("ASH") Controls, 10) Refrigerated Case Fan Motor Retrofits, 11) Occupancy Sensor Controls on Vending Machines,

23. the Direct Install "Integrated Refrigerated Case Controls and Motor Retrofits" measure shall not be included in APS' Direct Install programs at this time,

24. the Direct Install approach shall be adopted for the NR Small program, and that those APS-proposed Direct Install measures passing Staff's most recent Societal Cost Test shall be included in the program; that the program shall be implemented using premise size rather than customer size as the basis for eligibility; that incentives for Direct Install measures may be paid directly to contractors; and that APS-paid incentives for Direct Install measures shall be capped at 90 percent of incremental cost, and APS per-kWh-saved incentive rates for each Direct Install measure shall be re-calculated to conform to this restriction,

25. APS shall establish a separate reporting category in its DSM Semi-Annual Progress Report within each program section to which Direct Install applies in which to include enhanced reporting of Direct Install activities including but not limited to: 1) active number of contractors and contractor identification, 2) number of Direct Install jobs completed, 3) dollar value of the Direct Install incentives paid to contractors, 4) dollar value of Direct Install jobs paid by the customer, 5) number of each Direct Install measure for which incentives were paid, 6) number of instances when incentives were reduced because of eligibility for incentives paid by other entities, 7) spending and savings numbers attributable to Direct Install for the period and year-to-date and program-to-date, 8) descriptions of the types of businesses participating in Direct Install with frequencies of participation for each type, and 9) an estimation of the reduced marketing or other program or administration costs compared to those that would have been expended if the measures were implemented through a non-Direct Install program,

26. the Custom-Efficiency measures and Studies available to some other APS Non-Residential programs shall be made available to the NR Small program; and that the \$150,000 per year annual program cap for the sum of all incentives paid to a single customer in the NR Small program shall remain at \$150,000 per customer per budget year; that Custom-Efficiency and Study incentives shall be included in that cap; and that the cap shall continue to be applied based on customer size,

27. APS shall redefine its Small Non-Residential program category to include non-residential customer facilities with a maximum monthly peak demand of 100 kW or less based on the past 12 months of billing history, and that the Company correspondingly shall redefine its Non-Residential Existing category to include APS non-residential customer facilities with a maximum monthly peak demand greater than 100 kW based on the past 12 months of billing history,

28. APS shall redefine its Non-Residential New program category to include non-residential customers of all sizes that are constructing new facilities or are planning major renovation projects, and that annual per-customer per-program budget caps

1 shall break between 100 kW and below (\$150,000 per year cap) and above 100 kW  
2 (\$300,000 per year cap),

3 29. APS shall re-allocate its DSM program budget for the 2008 through 2010 planning  
4 years to be consistent with re-definition(s) of the Small Non-Residential, Non-  
5 Residential Existing, and Non-Residential New program customer size categories  
6 ordered herein or any other changes ordered herein; and that APS shall either  
7 inform Staff that no reallocation is necessary, or file an update to the budget portion  
8 of its "Portfolio Plan Update 2008 - 2010," filed in Docket No. E-01345A-07-0712,  
9 to reflect such re-definition(s) or other changes not later than 30 days after a  
10 Decision in this matter,

11 30. the Direct Install approach shall be made available for schools of all sizes, and that  
12 those APS-proposed Direct Install measures passing Staff's Societal Cost Test shall  
13 be included in the program; that incentives for Direct Install measures may be paid  
14 directly to contractors; and that APS-paid incentives for Direct Install measures  
15 shall be capped at 90 percent of incremental cost, and APS per-kWh-saved  
16 incentive rates for these measures shall be re-calculated to conform to this  
17 restriction,

18 31. seven of APS' nine proposed new prescriptive DSM measures identified as the 1)  
19 Hard-wired CFL measure, 2) Fluorescent Induction Lighting measure, 3) Cold  
20 Cathode Lighting measure, 4) Reduced Lighting Power Density measure, 5)  
21 Package Terminal Air-Conditioners/Heat Pumps measure, 6) Economizers measure,  
22 and 7) High-Performance Glazing measure, are hereby adopted,

23 32. approval of the Water-Source Heat Pump measure that would provide incentives to  
24 encourage customers to replace or retrofit heat pumps on existing WSHP systems  
25 with high-efficiency water-source heat pumps is hereby denied,

26 33. no incentive shall be paid for the Cool Roofs measures for new or replacement  
27 roofs at this time, but that APS should encourage its customers to install a highly-  
28 reflective coated foam or membrane roof and include relevant cool roof information  
in its DSM customer educational materials,

34. approval of the Cool Roof measure that would provide incentives to encourage  
customers to apply a highly reflective elastomeric or similar coating to various  
existing roofing materials is hereby denied,

35. APS' Non-Residential Schools DSM program is hereby approved,

36. APS' Non-Residential Existing Facilities DSM program is hereby approved,

37. APS' Non-Residential New Construction and Major Renovation DSM program is  
hereby approved,

38. APS' Small Non-Residential DSM program is hereby approved,

...

39. the APS' Non-Residential Building Operator Training DSM program is hereby denied; that the program shall be terminated as an APS Non-Residential DSM program immediately or as soon as contractual obligations allow; that the building operator training class concept may be transferred to the NR Existing program at APS' discretion; that APS provide an incentive of 50 percent of the cost of the class if BOT is continued as a class offering within the NR Existing program; that budgeted NR BOT funds be re-allocated to the Training and Technical Assistance budget category of the NR Existing program if BOT is continued as a class offering within the NR Existing program; or that budgeted NR BOT funds be re-allocated to other Non-Residential programs and budget categories that are believed by APS to be most able to effectively use them if APS chooses not to continue BOT within the NR Existing program, and

40. APS' Non-Residential Energy Information Services DSM program is hereby approved.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 11<sup>th</sup> day of December, 2008.

BRIAN C. McNEIL  
EXECUTIVE DIRECTOR

DISSENT: Lawrence R. McLean

DISSENT: \_\_\_\_\_

EGJ:JDA:lhmfJFW

1 SERVICE LIST FOR: Arizona Public Service Company  
2 DOCKET NO. E-01345A-05-0477

3 Ms. Deborah R. Scott  
4 Pinnacle West Capital Corporation  
5 Post Office Box 53999, MS 8695  
6 Phoenix, Arizona 85072-3999

7 Mr. Daniel Pozefsky  
8 Chief Counsel  
9 Residential Utility Consumer Office  
10 1110 West Washington Street, Suite 220  
11 Phoenix, Arizona 85007

12 Mr. Jeff Schlegel  
13 SWEEP  
14 1167 West Samalayuca Drive  
15 Tucson, Arizona 85704-3224

16 Mr. Ernest G. Johnson  
17 Director, Utilities Division  
18 Arizona Corporation Commission  
19 1200 West Washington Street  
20 Phoenix, Arizona 85007

21 Ms. Janice M. Alward  
22 Chief Counsel, Legal Division  
23 Arizona Corporation Commission  
24 1200 West Washington Street  
25 Phoenix, Arizona 85007  
26  
27  
28